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Department of State

TELEGRAM

308

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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CJ DATE 8/7/81
PORTIONS DENIED AS INDICATED

47-42
ACTION AF-05

INFO OCT-01 SS-20 NSC-10 NSCE-00 INR-06 CIAE-00 NSAE-00

L-02 E-04 COM-02 TRSY-06 RSR-01 RSC-01 /058 W
092947

P 051211Z AUG 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC PRIORITY 6689

S E C R E T TRIPOLI 1838

LIMDIS

SUBJECT: POSTED PRICE NEGOTIATIONS: THE END OF THE BEGINNING

REF: TRIPOLI 1717

1. [redacted] B4 Tripoli 1838 8/5/81

[redacted] ON THE SAME DAY ESSO EXECUTIVE GREENWALD ARRIVED FROM NEW YORK WITH A MESSAGE FOR THE LIBYANS THAT JERSEY SENIOR VP PIERCY (SP) WAS ARRIVING ON AUG 5 ARMED WITH ENOUGH FLEXIBILITY [redacted] TO DO BUSINESS. PIERCY'S GAME PLAN WAS TO [redacted] TALK TO QADHAFI, AND STRIKE A DEAL. ON AUG 4, HOWEVER, B4 BEFORE GREENWALD HAD A CHANCE TO ASK FOR AN APPOINTMENT AT THE TOP, BOTH ESSO AND OXY WERE CALLED TO JALLUD'S OFFICE TO BE INFORMED IN THE CALMEST OF TONES THAT THE POSTED PRICE PROBLEM HAD TAKEN TOO LONG; THAT IT MUST "BE SOLVED WITHIN ONE WEEK;" AND THAT THE TWO COMPANIES SHOULD, WITHIN THE TIME LIMIT, MAKE THEIR FINAL OFFERS TO THE MAGHRABI COMMITTEE. IT IS IMPORTANT THAT JALLUD POINTED THE COMPANIES TO THE MAGHRABI COMMITTEE IN THE PRESENCE OF MABRUK AND QABLAWI, SO THERE CAN BE NO MISUNDERSTANDING.

2. THE BEST LIGHT I COULD CAST ON THIS LATEST LIBYAN MOVE WOULD BE TO SAY THAT MY LAST TALK WITH MABRUK (REFTEL) HAD PRODUCED RESULTS. WHAT I TOLD MABRUK WAS THAT ESSO AND OXY WERE CONFUSED

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BY THE PROLIFERATING CHANNELS OF COMMUNICATION AND THAT WHAT WAS NEEDED WAS A CLEAR SIGNAL FROM THE RCC AS TO RANGE OF THE "RIGHT OFFER", WHERE IT SHOULD BE MADE AND SOME ASSURANCE THAT IT MIGHT BE ACCEPTED. THERE IS NOTHING IN WHAT JALLUD TOLD ESSO AND OXY THAT WOULD DETRACT FROM THIS INTERPRETATION. ON THE CONTRARY, JALLUD TOLD THE COMPANIES THAT WHEN THEY TALKED TO THE MAGHRABI COMMITTEE, THEY WERE TALKING TO THE RCC. IT IS TRUE THAT JALLUD NEITHER INDICATED WHAT THE FINAL OFFER SHOULD BE, NOR DID HE PROMISE TO ACCEPT IT. NOR DID HE THREATEN DIRE CONSEQUENCES IF THE COMPANIES DIDN'T MOVE.

3. A MORE LIKELY INTERPRETATION THOUGH IS THAT THE LIBYANS (A) ARE TIRED OF THE COMPANIES "IRAQI TACTICS" --[redacted] (B) HAVE COME CLOSE TO FIGURING OUT WHAT THE COMPANIES CAN BEAR AND (C) ARE UP AGAINST THE SEPTEMBER 1 DEADLINE. OUR BEST GUESS IS THAT THE LARG IS NOW PLANNING IF NECESSARY TO UNILATERALLY IMPOSE A POSTED PRICE INCREASE OF AT LEAST 24 CENTS, RETROACTIVE TO 1965 OR 1968. THE SUEZ PREMIUM MIGHT BE RPT MIGHT BE A THROW-AWAY. AND THE OUTCOME COULD BE WORSE.

4. IN OTHER WORDS, IT MAY NOW BE TOO LATE FOR THE COMPANIES TO BUY A NEGOTIATED SETTLEMENT. IN ANY EVENT I THINK I HAVE DONE ALL I CAN AND SHOULD DO TO BRING THE COMPANIES AND THE LARG TOGETHER. PIERCY HAS BEEN PROMISED ACCESS TO JALLUD. OXY HAS ITS OWN CHANNELS. [redacted]

5. I ALSO HAVE A STRONG HUNCH THAT JALLUD'S ONE-WEEK DEADLINE IS STILL AIMED AT RESULTS CLOSER TO SEPTEMBER 1. IN THIS LIGHT, I AM PROCEEDING WITH MY PLANS TO RETURN ON CONSULTATION PER SCHEDULE. WHAT I HOPE WE CAN DISCUSS IN WASHINGTON, IN addition TO THE PROPER USG REACTION SHOULD THE COMPANIES AND THE LARG NOT COME TO AN AGREEMENT, IS OUR MINIMUM GOALS (ASSURING CRUDE SUPPLIES TO WESTERN EUROPE AND JAPAN; PREVENTING SOVIET AND EAST

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EUROPEAN INFLUENCE OVER LIBYAN OIL AND KEEPING AMERICAN COMPANIES IN THE MIDDLE -- IN THE MIDDLE EAST) -- AND WHAT WE CAN DO TO ACHIEVE THEM IN THE LIGHT OF PROBABLE LIBYAN DEVELOPMENTS.
GP-4.
PALMER

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